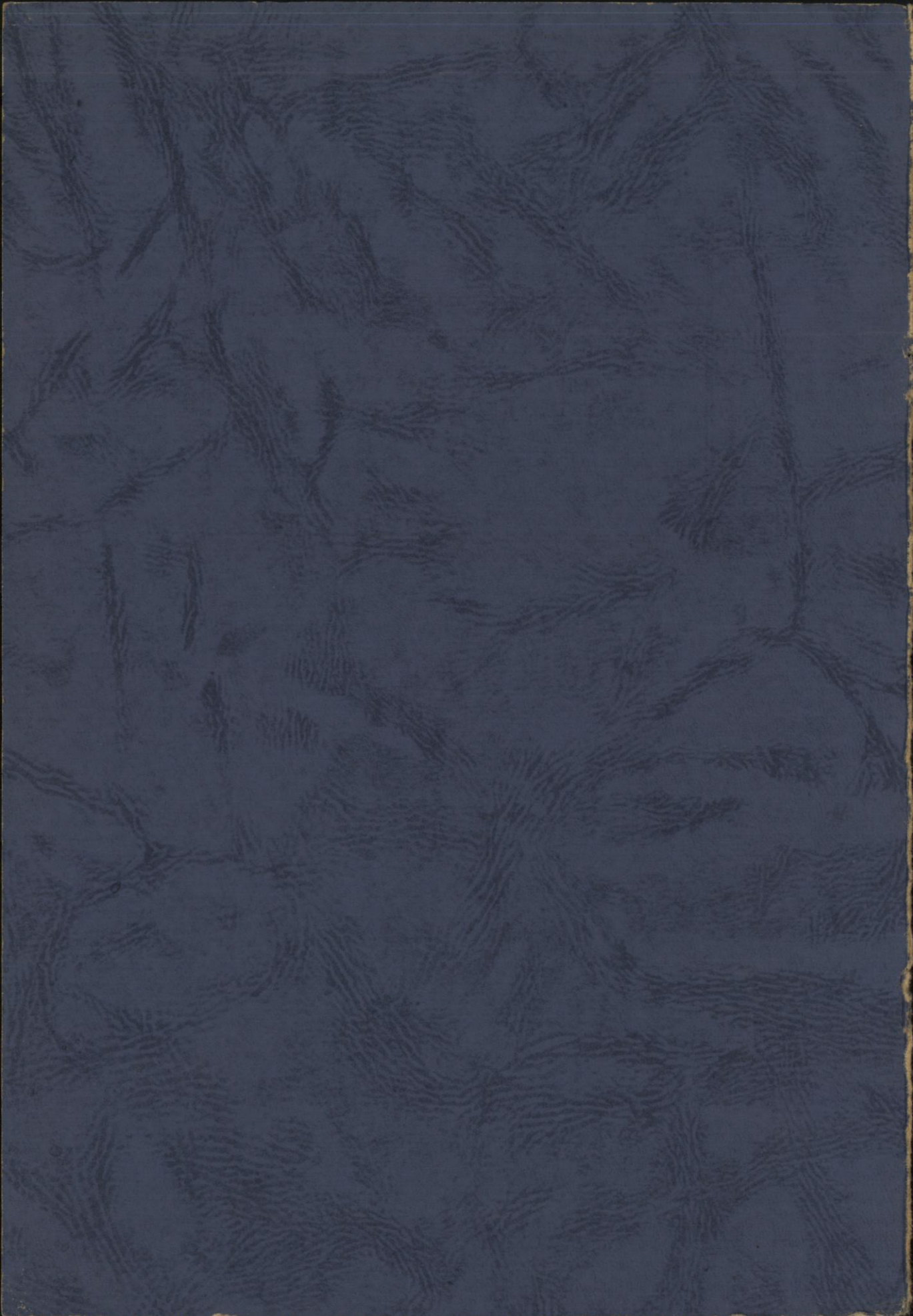


ADDRESSOGRAPH-MULTIGRAPH
CORPORATION
CORPORATE FILE

ADDRESSOGRAPH-MULTIGRAPH
CORPORATION

REPORT FOR THE YEAR
ENDED JULY THIRTY-FIRST
1945

BOARDS



REPORT
OF
Addressograph-Multigraph
Corporation



FOR THE YEAR ENDED
JULY THIRTY-FIRST
1945

The sole purpose of this report is to give present stockholders information about their Corporation. This report is not a representation, prospectus or circular in respect of any stock of any corporation and is not transmitted in connection with any sale or offer to sell or buy any stock or security now or hereafter to be issued or with any preliminary negotiation for such sale.

GENERAL OFFICES:

1200 BABBITT ROAD,

CLEVELAND 17, OHIO

Addressograph-Multigraph Corporation

BOARD OF DIRECTORS

Frank H. Woods, *Chairman*

William I. Aitken	Joseph R. Kraus
Charles K. Arter	Henry C. Osborn
Charles R. Battin	Edwin H. Parkhurst
George C. Brainard	Joseph E. Rogers
George W. Codrington	John B. Russell, Jr.
William R. Dawes	David E. White
Ernest J. Ferris	Thomas C. Woods

EXECUTIVE COMMITTEE

Joseph E. Rogers, *Chairman*

Charles K. Arter	Edwin H. Parkhurst
George C. Brainard	Frank H. Woods
Joseph R. Kraus	Thomas C. Woods

OFFICERS

JOSEPH E. ROGERS		<i>President</i>
HENRY C. OSBORN		<i>Vice-President</i>
CHARLES R. BATTIN		<i>Vice-President and Treasurer</i>
DAVID E. WHITE		<i>Vice-President</i>
ALBERT R. PORTER		<i>Vice-President, European Division</i>
J. BASIL WARD		<i>Vice-President, Domestic Distribution</i>
GEORGE J. GRIKSHELL		<i>Comptroller</i>
ALBERT P. TYLER		<i>Secretary</i>

Transfer Agents

CITY BANK FARMERS TRUST COMPANY
New York

Registrar

GUARANTY TRUST COMPANY
New York

Addressograph-Multigraph Corporation

TO THE STOCKHOLDERS:

Your Directors submit herewith statement of consolidated income and surplus accounts and consolidated balance sheet as at July 31, 1945, together with certificate of Messrs. Price, Waterhouse & Co., independent auditors.

INCOME ACCOUNT

The net profit from operations of the corporation for the year ending July 31, 1945 (including only our Canadian subsidiary) amounted to \$1,209,065, or \$1.60 per share, after all deductions, including engineering, laboratory, development, patent and royalty expenses (\$471,727); depreciation and leasehold amortization of operating plant and equipment (\$414,462); interest and amortization of expenses on debentures and other term indebtedness (\$218,123, including \$101,684 carried over from prior years as part of the cost of terminated contract); and estimated provision for Federal and Canadian income taxes, including excess profits taxes (\$2,191,003).

This compares with net profit from operations for the year ending July 31, 1944, of \$1,231,598, or \$1.63 per share.

As was the case in previous reports, it is impossible to include figures of our European subsidiaries at this time. However, it can be said that our British subsidiary continues to operate on a profitable basis. As a matter of fact, the profits for the year under review exceeded the results of the previous year, which were the largest in the history of the British company.

BALANCE SHEET

At July 31, 1945, current assets were \$13,742,368 (including cash of \$4,144,092), and current liabilities were \$5,236,358, after payment of dividends aggregating \$753,813 and repayment of \$300,000 against term indebtedness. This compares with current assets of \$17,139,831, and current liabilities of \$8,896,630 at July 31, 1944.

As mentioned in our report for the year ended July 31, 1944, the "V" Loan borrowings, which stood at \$2,775,000 at that date had been reduced by \$2,025,000 prior to issuing the report. The balance of \$750,000 was paid in March, 1945, and the agreement terminated.

Inventories at July 31, 1945, were carefully compiled and conservatively stated, being priced at the lower of cost or market. In accordance with our regular practice, future commitments for the purchase of raw materials and supplies entering into the manufacture of our regular products are made on a basis that would have little if any effect on the financial position of the corporation. All direct war materiel contracts had been completed or terminated at July 31, 1945.

After due consideration, and for the purposes of the financial statements only, your Board decided to eliminate from the balance sheet the amounts heretofore carried for intangible assets. Accordingly, the intangibles were reduced to the nominal amount of \$1.00. As a result of this reduction the entire balance of the Capital Surplus account has been eliminated, and \$1,857,484 was charged to Earned Surplus. However, all patents owned are being maintained in full force and effect, and will continue to be an outstanding factor in your company's progress.

SALES

Notwithstanding continued wartime restrictions on materials, there was an increase, during the year under review, of \$1,848,472, or 10.2%, in shipments of regular Addressograph-Multigraph products as compared to the previous year. In direct war contracts and shipments there was a reduction of \$1,970,124. The final contract for war materiel was terminated in June, and all efforts are now being concentrated on production and shipment of our regular products. Orders received for our regular products during the year, exclusive of replacement supply orders, reflected an increase of 56.4% over the previous year, and represented the largest 12-month volume of sales in the history of the company.

Unfilled orders at July 31, 1945, were at an all time high, amounting to \$5,745,230, as compared to \$2,413,621 at July 31, 1944. Since the end of July there has been a further increase, and unfilled orders, exclusive of replacement supply orders, now total \$7,710,750. The greater part of this increase has, of course, occurred since May 16, 1945, the date that the War Production Board lifted restrictions affecting our purchases and sales. Although our factory is converted to production of regular products, many of our sources of supply are not fully reconverted, which for the present materially limits our shipments. However, deliveries are improving and further improvement is anticipated during the next sixty to ninety days, which should materially increase shipments of Addressograph-Multigraph products.

Building up of our field sales force has been carried on aggressively through the acquisition of new men and the return of former members of the sales force who have been serving in the Armed Forces. Sales schools are being held on regular schedules, and new men entering the service of the company, as well as Veterans returning to the sales force, are being trained in the sale and use of your corporation's broadened line of products.

RESEARCH AND DEVELOPMENT

During the war years, we were able to provide the United States government with many new and improved developments in Addressograph-Multigraph methods and products. Although not available for general sale at present, these developments have broad application in our civilian markets. In war service for the government, they have undergone complete and rigid test in actual use. These models are now being prepared for quantity production, and will be released for sale to the civilian market in the near future.

These new Addressograph-Multigraph products materially broaden our market and sales possibilities in all kinds and sizes of business. In addition, our research and development departments are continuing their efforts toward further refinement and broader uses. Price ceilings, rising wage levels and taxes emphasize the need for further operating economies in all departments of business. Therefore, the need for Addressograph-Multigraph advantages in business should be greater than ever before, during the postwar era.

MANUFACTURING

Your corporation added considerably to the size of its manufacturing plant during the war. Three new buildings were erected, adding needed floor space, which provided greater efficiency in layout and flow of production. The third addition is now approaching completion and should be ready for occupancy in late November or early December.

The company has taken full advantage of the many advances made during the war period in machine tool design and manufacturing methods. Our plant, facilities and equipment are of the most modern type, the finest ever available for use in our manufacturing departments, and should result in greater efficiency, further improvement in quality, and reduction in costs.

Due to uninterrupted production of your corporation's regular products throughout the war period, and to the class of war materiel produced, reconversion was not a difficult, long drawn out or costly problem.

Thus, your corporation is equipped to meet all foreseeable production requirements during the postwar era.

EMPLOYEE RELATIONS

Up to July 31, 1945, 1,270 employees had entered the Armed Services and were stationed in all the major theaters of war. Twenty-four have given their lives for their country, and six are still reported missing. To the relatives of these brave men the entire organization extends profound sympathy.

The continued close cooperation of Labor-Management Committees has proven to be advantageous and very beneficial both to the company and workers. Their efforts throughout the year resulted in a continuous reduction in absenteeism, production scrap and the necessity for re-work, all of which has had a beneficial effect on costs.

Relations with our employees continue on a most cordial and cooperative basis.

The training program for present and new employees has been continued and broadened.

With the accelerated pace of demobilization we anticipate a considerable increase in the number of Veterans returning, to resume former positions with your company.

Our factory and office employees continued during the year to participate substantially in purchases of War Bonds, subscriptions to the American Red Cross, Greater Cleveland War Chest and other causes related to the war effort.

* * *

The Board of Directors again wishes to record its deep appreciation of the continued splendid efforts of the organization throughout the year and to extend its compliments on the results achieved. The loyalty and devotion of these men and women more than any other factor are responsible for the attainment of objectives in the fourth and final year of production for war.

On behalf of the Board,

FRANK H. WOODS, Chairman,
JOSEPH E. ROGERS, President.

October 27, 1945

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CONSOLIDATED BALANCE SI
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ASSETS

CURRENT ASSETS:

Cash in banks and on hand-----		\$ 4,144,092	
Accounts receivable:			
United States Government agencies and departments---	\$ 793,559		
Other customers and miscellaneous-----	3,210,436		
	<u>\$ 4,003,995</u>		
Less—Reserve -----	201,401	3,802,594	
Sales agents' accounts for merchandise-----		226,799	
Inventories, priced at the lower of cost or market (includ- ing \$118,591 for costs and other expenditures claimed under Government contracts terminated prior to com- pletion), less reserve of \$101,287-----		5,180,432	
Post-war refundable portion of prior years' Federal excess profits tax -----		<u>388,451</u>	\$13,742,368

ADVANCES AND MISCELLANEOUS INVESTMENTS:

Advances to sales agents and salesmen, other than accounts for merchandise -----	\$ 238,578		
Less—Reserve -----	<u>175,395</u>	\$ 63,183	
Sundry accounts and loans-----		29,939	
Cash surrender value of life insurance policies-----		215,369	
Miscellaneous securities at cost (\$154,551 in Canadian bonds) -----		208,623	
Post-war refundable portion of Canadian excess profits tax		<u>15,932</u>	533,046

INVESTMENTS IN (at cost, less adjustment at acquisition date) AND ADVANCES TO ENGLISH SUBSIDIARY COMPANY, not consolidated (Note 2)-----

706,700

INVESTMENTS IN AND ADVANCES TO EUROPEAN COMPANIES:

French and German subsidiary companies, not consolidated	\$ 977,124		
Payments on account, expenses and advances in connection with the acquisition (not completed) of an interest in the capital stocks of foreign companies, mainly in Germany--		494,404	
		<u>\$ 1,471,528</u>	
Less—Reserve -----		<u>1,471,528</u>	

RENTAL MACHINES:

	\$ 352,739		
Less—Reserve for depreciation-----	<u>186,444</u>	166,295	

FIXED ASSETS:

Land, buildings, machinery and equipment, at cost-----	\$ 8,744,918		
Less—Reserve for depreciation-----	<u>4,605,355</u>	\$ 4,139,563	
Leasehold improvements, less amortization-----		<u>29,695</u>	4,169,258

PATENTS, TRADE MARKS, GOODWILL, ETC.-----

1

DEFERRED CHARGES:

Prepaid insurance, stationery, and other deferred expenses--	\$ 266,323		
Long Term debt expense, less amortization-----	<u>10,994</u>	277,317	
		<u>\$19,594,985</u>	

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HEET (Note 1) — JULY 31, 1945

anying Notes)

LIABILITIES

CURRENT LIABILITIES:

Amount of 2¼% notes payable to bank, due September 17 and October 1, 1945, and March 15 and April 1, 1946----	\$	300,000	
Accounts payable (including deductions from payrolls of \$172,425 for war bond purchases and federal taxes withheld) -----		1,019,861	
Sales agents' and salesmen's credit balances-----		909,801	
Supply contract obligations-----		116,432	
Accrued taxes, interest, payroll, commissions and other expenses -----		1,406,310	
Federal and Canadian income and excess profits taxes----	\$	2,483,954	
Less—United States Treasury Tax Notes—Series C-----		<u>1,000,000</u>	
		<u>1,483,954</u>	\$ 5,236,358

RESERVES:

For insurance of machines and fixtures in the field-----	\$	91,026	
For additional Federal income and excess profits taxes and contingencies (Note 3)-----		<u>1,067,438</u>	1,158,464

LONG TERM DEBT:

Notes payable to bank, 2¼%, \$50,000 due semi-annually from September 17, 1945, to March 17, 1947, and \$100,000 due semi-annually October 1, 1945 and April 1, 1946 -----	\$	400,000	
Less—Amount included above in current liabilities-----		<u>300,000</u>	\$ 100,000
Fifteen Year 3% Sinking Fund Debentures, due April 1, 1956, \$100,000 redeemable semi-annually from October 1, 1946 -----	\$	2,000,000	
Ten Year 3¼% Sinking Fund Debentures, due March 15, 1952, \$50,000 redeemable semi-annually from September 15, 1947 -----		<u>500,000</u>	
		<u>2,500,000</u>	2,600,000

CAPITAL STOCK AND SURPLUS:

Capital Stock:

Authorized—1,000,000 shares of \$10 par value			
Issued—760,213 shares-----	\$	7,602,130	
Less—In Treasury, 6,400 shares-----		<u>64,000</u>	
		<u>\$ 7,538,130</u>	
Earned Surplus, per statement attached (Note 4)-----		<u>3,062,033</u>	10,600,163

\$19,594,985

**Addressograph-Multigraph Corporation
and Canadian Subsidiary Company**

**NOTES TO CONSOLIDATED FINANCIAL
STATEMENTS, JULY 31, 1945**

(1) The accounts for current assets, current liabilities, deferred charges, etc., of the Canadian subsidiary company were converted to U. S. dollars at \$.9025, the rate current at July 31, 1945; the accounts for rental machines and fixed assets and the relative reserves at \$1.00 and the income and expense accounts at an average of the rates in effect during the year. The U. S. dollar equivalent of the net assets of the Canadian subsidiary company included in the consolidated balance sheet, converted as explained above, amounted to \$640,087 of which \$416,351 represents net current assets.

(2) At July 31, 1945 the U. S. dollar equivalent of the net assets of the English subsidiary company amounted to approximately \$1,729,000, or \$1,046,505 in excess of the amount carried for the investments. This excess represents the undistributed surplus of the English subsidiary company since the date of acquisition, before adjustment, if any, for intercompany profit in inventories.

For the year ended July 31, 1945 the English subsidiary company reported a profit of £42,494, equivalent in U. S. dollars to approximately \$160,000 which, of course, is not reflected in the accompanying statements.

(3) The accuracy of the reserve for additional federal income and excess profits taxes depends on the audit and settlement by the Bureau of Internal Revenue of the returns for 1940 to 1944 inclusive. Such settlement may have a bearing, not determinable at present, on the provision of \$2,125,000 charged to expenses for the current year.

(4) Under the terms of the Agreement covering the Notes Payable to bank and of the Trust Indenture covering the Sinking Fund Debentures, the company has agreed not to declare or pay dividends (except stock dividends), unless certain conditions are met. As more fully set forth in the aforesaid Agreement and Indenture, the principal condition is, briefly, that dividends shall not exceed the sum of consolidated profit of the company and its Canadian subsidiary company earned after July 31, 1940 and \$400,000. The consolidated profits reported during the five years ended July 31, 1945 are \$2,970,740 in excess of the dividends (\$3,769,065) paid during that period; the reduction as at July 31, 1945, of intangible assets by a charge of \$1,857,484 to earned surplus has not been considered in determining the aforesaid excess of profits.

(5) The results of operations for the year ended July 31, 1945 will be subject to the provisions of the Renegotiation Act but proceedings have not begun and the ultimate effect is not known at this date. Accordingly, no provision therefor has been made in the profit statement. However, it is the opinion of the management, based on the settlements made for 1942 and 1943 and on that proposed for 1944, that the net amount of refund, if any, will be relatively small.

**Addressograph-Multigraph Corporation
and Canadian Subsidiary Company**

CONSOLIDATED STATEMENT OF PROFIT AND EARNED SURPLUS
FOR THE YEAR ENDED JULY 31, 1945

(See accompanying notes)

SALES AND OTHER INCOME:

Gross sales, less returns, allowances and discounts, other than sales agents' discounts (including billings of \$7,105,133 in respect of war contracts for other than company's regular products)-----	\$27,064,820
Interest, discount and other income (net)-----	82,866
	<u>\$27,147,686</u>

COSTS AND EXPENSES:

Cost of goods sold-----	\$14,927,404
Engineering, laboratory, development, patent and royalty expenses-----	471,727
Depreciation and leasehold amortization-----	414,462
Commissions and discounts to sales agents and branch expenses-----	5,009,573
Other selling, advertising, general and administrative expenses-----	2,706,329
Interest and amortization of expenses on long term debt-----	90,686
Interest and financing expenses on "V" loan (including \$101,684 incurred in the fiscal years 1943 and 1944 and carried in the July 31, 1944 balance sheet as a cost under a termination claim for a Government contract, settlement of which was obtained this year)-----	127,437
Federal income and excess profits taxes (\$1,582,000 for excess profits tax)—estimated (Note 3)-----	2,125,000
Canadian income and excess profits taxes (after deducting \$12,003 for post-war refundable portion)-----	66,003
	<u>\$25,938,621</u>
Profit (Note 5)-----	\$ 1,209,065
Balance of earned surplus, July 31, 1944-----	4,464,265
	<u>\$ 5,673,330</u>
Reduction, as at July 31, 1945, of patents, trademarks, goodwill, etc., to nominal amount of \$1, as authorized by the Board of Directors-----	\$ 2,426,863
Less—Portion of above reduction charged to capital surplus-----	569,379
Balance of reduction charged to earned surplus-----	\$ 1,857,484
	<u>\$ 3,815,846</u>
Dividends paid—\$1 per share-----	753,813
Balance of earned surplus, July 31, 1945 (including Canadian subsidiary company surplus of \$269,759) (Note 4)-----	<u>\$ 3,062,033</u>

CONSOLIDATED STATEMENT OF CAPITAL SURPLUS
FOR THE YEAR ENDED JULY 31, 1945

Balance, July 31, 1944-----	\$ 569,379
DEDUCT:	
Portion of reduction of intangible assets, explained above-----	569,379
Balance, July 31, 1945-----	<u>—0—</u>

PRICE, WATERHOUSE & CO.

UNION COMMERCE BUILDING

To the Board of Directors,
Addressograph-Multigraph Corporation.

We have examined the consolidated balance sheet of Addressograph-Multigraph Corporation and its Canadian subsidiary company as of July 31, 1945, and the consolidated statements of profit and earned surplus and capital surplus for the fiscal year then ended. It was not deemed practicable to obtain direct confirmation of the accounts receivable from United States Government agencies and departments, as to which, however, we satisfied ourselves by means of certain other tests. Our examination was made in accordance with generally accepted auditing standards, except as stated above, applicable in the circumstances, and included such tests of the accounting records and other supporting evidence and such other procedures as we considered necessary.

As authorized by the Board of Directors, the amount carried for patents, trademarks, goodwill, etc., was reduced as at July 31, 1945 to the nominal amount of \$1, by a charge of \$1,857,484 to earned surplus and \$569,379 to capital surplus. The aforesaid reduction and the resulting surplus charges have our approval.

Except for the effect which the provisions of the Renegotiation Act, referred to in Note 5, may have on the accounts, it is our opinion that the accompanying consolidated balance sheet and related consolidated statements of profit and earned surplus and capital surplus present fairly the position of Addressograph-Multigraph Corporation and its Canadian subsidiary company at July 31, 1945 and the results of their operations for the fiscal year, in conformity with generally accepted accounting principles. Except for the adjustment of intangible assets explained above, the accounting principles were applied on a basis consistent with that of the preceding year.

Cleveland, Ohio,

October 15, 1945

Price, Waterhouse & Co

